

# **FY 2003-04 Budget Detail for EDUCATION**

---

**Community Colleges  
Education  
Higher Education  
School Aid / K-12**



**Summary: Enacted Appropriations  
COMMUNITY COLLEGES  
FY 2003-04 House Bill 4388  
Public Act 146 of 2003**

**Analyst: Marilyn Peterson**

	FY 2002-03 YTD					Difference: Enacted from FY 2002-03 YTD	
	(as of 3/6/03)	Executive	House	Senate	Enacted	Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	0	0	0	0	0	0	0.0
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	2,295,982	0	0	4,717,500	0	(2,295,982)	(100.0)
GF/GP	307,512,112	289,013,100	289,013,100	289,013,100	289,013,100	(18,499,012)	(6.0)
<b>Gross</b>	<b>\$309,808,094</b>	<b>\$289,013,100</b>	<b>\$289,013,100</b>	<b>293,730,600</b>	<b>\$289,013,100</b>	<b>(\$20,794,994)</b>	<b>(6.7)</b>
FTEs	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

**Overview**

The Michigan Constitution charges the Legislature with enacting laws to provide for the establishment and financial support of community colleges; the twenty-eight existing community colleges have been established under statutes that provided for the creation of community college districts coinciding with the boundaries of counties, school districts, or intermediate school districts. Community colleges utilize various sources of revenue: state aid, student tuition and fees, local property taxes, private donations, and federal grants.

Located throughout the state, community colleges offer a variety of programs of two years or less in duration, including traditional transfer programs (for students moving on to four-year institutions), technical training programs, certificate programs, and customized training or retraining for employees in skilled positions. In recognition of the role that community colleges play in workforce development, various statutory powers and responsibilities pertaining to community colleges were transferred from the Department of Education to the Department of Career Development under Executive Reorganization Order 1999-7.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>1. Across-the-Board Operations Reductions</b>	<b>Gross</b>	<b>\$309,180,888</b>	<b>(\$20,386,288)</b>
Reduces operations funding for most community colleges by 6.7%.	Restricted	1,577,521	(1,577,521)
Reduces funding for Wayne County Community College by 9.4%, distributing the \$450,000 thus freed equally among three small community colleges (Alpena, Bay de Noc, and Gogebic), resulting in reductions of 3.2% to 3.8% for those three.	GF/GP	\$302,870,666	(\$18,808,767)
<b>2. Eliminate PASS Program</b>	<b>Gross</b>	<b>\$700,000</b>	<b>(\$700,000)</b>
Eliminates Postsecondary Access Student Scholarship (PASS) program due to low participation rates (fewer than 700 students received awards last year). The program was fully supported by the Michigan Merit Award Trust Fund.	Restricted	700,000	(700,000)
	GF/GP	\$0	\$0

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b><u>FY 2002-03 YTD</u></b> <b><u>(as of 3/6/03)</u></b>	<b><u>Enacted Change</u></b> <b><u>from YTD</u></b>
<b>3. At-Risk Student Success Program</b> Appropriations reflect a 6.7% reduction to this formula grant program that supports colleges' efforts to address the special needs of at-risk students through funding equipment and technology upgrades that may be (but need not be) used by such students.	<b>Gross</b>	<b>\$3,562,706</b>	<b>(\$240,006)</b>
	Federal	0	0
	Restricted	18,461	(18,461)
	GF/GP	\$3,544,245	(\$221,546)
<b>4. Renaissance Zone Tax Reimbursements</b> Includes increase for Renaissance Zone reimbursement payments. These payments restore funding lost when property tax levies are reduced due to the presence of a Renaissance Zone within a college's taxing authority.	<b>Gross</b>	<b>\$1,097,200</b>	<b>\$652,800</b>
	Federal	0	0
	Restricted	0	0
	GF/GP	\$1,097,200	\$652,800
<b>5. Additional FY 2002-03 Funding for College Operations</b> Provides current-year, across-the-board increase for community college operations .	<b>Gross</b>	<b>\$309,180,888</b>	<b>\$1,077,700</b>
	Restricted	1,577,521	1,077,700
	GF/GP	\$302,870,666	\$0

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 216. Contributions to Public School Employees Retirement System – MODIFIED***

Bars community colleges from being required to submit more than four reports annually to the Michigan public school employees retirement system for the purposes of calculating retirement benefits. New provision.

***Sec. 217. Capital Outlay Projects – MODIFIED***

Requires Joint Capital Outlay Subcommittee review for projects over \$1.0 million, eliminates current language pertaining to capital projects, and retains prohibition on self-liquidating projects.

***Sec. 236. Site Visits – NEW***

Limits the frequency and scope of site visits and related activities, and requires the Department of Career Development to provide copies of proposed state plan prior to submission to the U.S. Department of Education for approval under the Perkins act.

***Sec. 404. Michigan Postsecondary Access Student Scholarship (PASS) – DELETED***

Eliminates PASS program.

**Summary: Enacted Appropriations**  
**DEPARTMENT OF EDUCATION**  
**FY 2003-04 House Bill 4391**  
**Public Act 145 of 2003**

**Analyst: Mary Ann Cleary**  
**Laurie Cummings**

	FY 2002-03 YTD (as of 3/6/03)	Executive	House	Senate	Enacted	Difference: Enacted from FY 2002-03 YTD	
						Amount	%
<b>IDG/IDT</b>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$0	0.0
<b>Federal</b>	166,260,200	64,479,400	64,479,400	65,184,100	65,834,100	(100,426,100)	(60.4)
<b>Local</b>	4,744,200	4,744,200	4,744,200	4,791,600	4,791,600	47,400	1.0
<b>Private</b>	701,400	701,400	701,400	701,400	701,400	0	0.0
<b>Restricted</b>	14,430,000	12,507,500	12,607,600	12,561,700	12,661,600	(1,768,400)	(12.3)
<b>GF/GP</b>	29,018,216	29,392,500	29,392,500	29,220,800	29,392,500	374,284	1.3
<b>Gross</b>	<b>\$216,154,016</b>	<b>\$112,825,000</b>	<b>\$112,925,100</b>	<b>\$113,459,600</b>	<b>\$114,381,200</b>	<b>(\$101,772,816)</b>	<b>(47.1)</b>
<b>FTEs</b>	442.1	433.1	433.1	433.1	433.1	(9.0)	(2.0)

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

## **Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, collecting and reporting educational data, disbursing funds to educational organizations, and providing technical assistance to local school districts.

<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>1. School Breakfast Program</b>	<b>Gross</b>	<b>\$7,774,900</b>	<b>\$2,595,200</b>
Provides an increase of \$2.6 million in GF/GP to cover additional program costs and fully fund this program.	GF/GP	\$7,774,900	\$2,595,200
<b>2. Federal Grants</b>	<b>Gross</b>	<b>\$120,904,100</b>	<b>(\$100,904,100)</b>
Eliminates federal funding for the following grant programs: Class Size Reduction, Eisenhower Math and Science, Goals 2000, and Technology Literacy Challenge Grants. Reduces funding for Urgent School Renovation by \$25.0 million to \$20.0 million to reflect a reduction at the federal level.	Federal	120,904,100	(100,904,100)
<b>3. Motorcycle and Off-Road Vehicle Safety Programs</b>	<b>Gross</b>	<b>\$1,951,300</b>	<b>(\$1,951,300)</b>
Eliminates from the Department of Education budget the Motorcycle Safety Education program at \$1.5 million and Off-Road Vehicle Safety Training program at \$421,100. Transfers the Motorcycle Safety program to the Department of State and the Off-Road Vehicle Safety program to the Department of Natural Resources.	Restricted	1,951,300	(1,951,300)

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b><u>FY 2002-03 YTD (as of 3/6/03)</u></b>	<b><u>Enacted Change from YTD</u></b>
<b>4. Funding for Administration</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$662,300)</b>
Reduces GF/GP for administration by \$801,300 by reducing travel and other various costs, including not filling vacant positions, and making fund shifts throughout the Department.	Federal	N/A	94,000
	Restricted	N/A	45,000
	GF/GP	N/A	(\$801,300)
<b>5. Education Commission of the States Membership</b>	<b>Gross</b>	<b>\$99,300</b>	<b>(\$99,300)</b>
Eliminates the Department's membership in the national organization, Education Commission of the States.	GF/GP	99,300	(\$99,300)
<b>6. Eliminate State Tenure Commission Per Diems</b>	<b>Gross</b>	<b>\$11,100</b>	<b>(\$11,100)</b>
Eliminates the per diem of \$50 per meeting to the State Tenure Commission members.	GF/GP	11,100	(\$11,100)

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 201. Personal Services Contracts – REVISED***

Requires reporting on all contracts over \$10,000; prohibits the Department from entering into personal services contracts without competitive bidding for contracts over \$10,000; prohibits the Department from issuing more than one contract per year to any one contractor.

***Sec. 219. Motorcycle Safety Education – NEW***

Specifies that the Department of Education will work with the Department of State to ensure the motorcycle safety program is administered in the same manner as in the current year.

***Sec. 220. Off-Road Vehicle Safety Training Education – NEW***

Recommends that the Department of Education work with the Department of Natural Resources to ensure that the off-road vehicle safety training program is administered in the same manner as in the current year.

***Sec. 222. Appeal of Adequate Yearly Progress Reporting – NEW***

States that before publishing a list of schools determined to have failed to make adequate yearly progress, the Department must allow the schools 30 days to appeal the determination.

***Sec. 412. Report on the Number of Blind Students – NEW***

Requires the Department to provide a report to the House and Senate Appropriations Subcommittees on Education on the number of blind students in Michigan, the number of teachers certified to teach Braille, and other related information.

***Sec. 801. Teacher Tenure Report – NEW***

Requires the Department to report to the Legislature the history, purpose, and estimated litigation costs of teacher tenure.

**Summary: Enacted Appropriations**  
**HIGHER EDUCATION**  
**FY 2003-04 House Bill 4396**  
**Public Act 144 of 2003**

**Analyst: Hank Prince**

	FY 2002-03 YTD (as of 3/6/03)	Executive	House	Senate	Enacted	Difference: Enacted from FY 2002-03 YTD	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	5,500,000	4,400,000	4,400,000	4,400,000	4,400,000	(1,100,000)	(20.0)
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	84,534,802	78,350,000	138,350,000	171,540,926	152,750,000	68,215,198	80.7
GF/GP	1,741,466,933	1,632,687,000	1,632,687,000	1,642,240,348	1,632,604,500	(108,862,433)	(6.3)
<b>Gross</b>	<b>\$1,831,501,735</b>	<b>\$1,715,437,000</b>	<b>\$1,775,437,000</b>	<b>\$1,818,181,274</b>	<b>\$1,789,754,500</b>	<b>(\$41,747,235)</b>	<b>(2.3)</b>
FTEs	1.0	0.0	1.0	1.0	1.0	0.0	0.0

*Note: FY 2002-03 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003.*

### **Budget Overview**

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs.

<b><u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u></b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>1. State Universities – Operations</b>	<b>Gross</b>	<b>\$1,558,942,342</b>	<b>(\$95,506,842)</b>
Applies a 6.74% reduction, allocates Merit Trust funds to campuses below \$3,890 per FYES, and caps funding increases at \$5.0 million.	Restricted	8,077,436	1,422,564
	GF/GP	\$1,550,864,906	(\$96,929,406)
<b>2. Statewide Programs</b>	<b>Gross</b>	<b>\$68,747,491</b>	<b>(\$6,779,391)</b>
Retains full funding for the Midwest Higher Education Compact dues, eliminates funding for the Japan Center, and maintains funding for the HEIDI database operations. The Governor vetoed funding for the Compact dues.	Restricted	2,245,934	(2,245,934)
	GF/GP	\$66,501,557	(\$4,533,457)
<b>3. King-Chavez-Parks Programs</b>	<b>Gross</b>	<b>\$2,885,884</b>	<b>(\$194,384)</b>
Reduces three KCP programs (student support services, college/university partnership, and educator development) in FY 2003-04 as proposed under the executive budget.	Restricted	14,953	(14,953)
	GF/GP	\$2,870,931	(\$179,431)
<b>4. Michigan Merit Award Program</b>	<b>Gross</b>	<b>\$64,323,850</b>	<b>\$65,676,150</b>
Rejects the Executive-proposed reduction in the level of Merit Awards from \$2,500 to \$500 for high school graduation classes beginning with the class of 2004, and adopts a funding level that is \$130.0 million for FY 2003-04. That amount is midway between the House and Senate passed amounts and provides for the first installment of the Merit Awards for the high school graduation class of 2004.	Restricted	64,323,850	65,676,150

**Major Budget Changes from FY 2002-03 YTD Appropriations:**

	<b>FY 2002-03 YTD</b>	<b>Enacted Change</b>
	<b>(as of 3/6/03)</b>	<b>from YTD</b>

**5. Michigan Opportunity Scholarships**

Does not include funding for the Governor's proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university. Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible. Fiscal Year 2003-04 funding for this initiative would be slightly less than the FY 2002-03 aggregate of the five financial aid programs.

**6. State Competitive Scholarships**

Reduces state competitive scholarships after transfer of funds from the general degree and allied health degree reimbursement programs, total funding by \$463,000. Under the Executive budget, this program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program.

<b>Gross</b>	<b>\$35,993,486</b>	<b>(\$462,986)</b>
Federal	3,600,000	(700,000)
Restricted	165,273	(165,273)
GF/GP	\$32,228,213	\$402,287

**7. Tuition Grants**

Retains most funding for Tuition Grants with funds transferred from the degree reimbursement line items discussed below. This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated under the Executive budget, and the funding transferred to the proposed Michigan Opportunity Scholarship program.

<b>Gross</b>	<b>\$64,778,121</b>	<b>(\$10,021)</b>
Restricted	330,501	(330,501)
GF/GP	\$64,447,620	\$320,480

**8. Michigan Work-Study Program**

Reduces funding by 6.74% for the Michigan Work-Study Program. Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarships (MOS) program under the Executive budget.

<b>Gross</b>	<b>\$7,855,475</b>	<b>(\$529,175)</b>
Restricted	40,079	(40,079)
GF/GP	\$7,815,396	(\$489,096)

**9. Adult Part-time Grant**

Retains the Adult Part-Time Grant program and applies a 6.74% reduction to FY 2002-03 levels. The Executive proposed termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of monies to the proposed Michigan Opportunity Scholarship(MOS) program.

<b>Gross</b>	<b>\$2,844,937</b>	<b>(\$191,637)</b>
Restricted	14,515	(14,515)
GF/GP	\$2,830,422	(\$177,122)

**10. Michigan Education Opportunity Grants (MEOG)**

Retains the MEOG program and reduces its funding by 6.74%. Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated under the Executive budget and monies transferred to the proposed Michigan Opportunity Scholarship program.

<b>Gross</b>	<b>\$2,234,692</b>	<b>(\$150,492)</b>
Restricted	11,402	(11,402)
GF/GP	\$2,223,290	(\$139,090)

**11. General Degree Reimbursement Grants**

Eliminates funding for General Degree Reimbursement Grants and transfers funds to the Competitive Scholarships and Tuition Grants line items. The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates.

<b>Gross</b>	<b>\$5,967,611</b>	<b>(\$5,967,611)</b>
Restricted	30,921	(30,921)
GF/GP	\$5,936,690	(\$5,936,690)



<b>Major Budget Changes from FY 2002-03 YTD Appropriations:</b>		<b>FY 2002-03 YTD (as of 3/6/03)</b>	<b>Enacted Change from YTD</b>
<b>12. Allied Health Degree Reimbursement Grants</b>	<b>Gross</b>	<b>\$902,397</b>	<b>(\$902,397)</b>
Eliminates funding for Allied Health Degree Reimbursement Grants and transfers funds to the Competitive Scholarships and Tuition Grants line items. The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates in allied health programs.	Restricted	4,676	(4,676)
	GF/GP	\$897,721	(\$897,721)
<b>13. Dental Clinics Grant</b>	<b>Gross</b>	<b>\$4,875,449</b>	<b>(\$328,449)</b>
Concurs with the 6.74% reduction proposed by the Governor for the dental clinics grant to the University of Detroit-Mercy for provision of dental services to low-income recipients in southeastern Michigan.	Restricted	25,262	(25,262)
	GF/GP	\$4,850,187	(\$303,187)
<b>14. Byrd Scholarship Program</b>	<b>Gross</b>	<b>\$1,900,000</b>	<b>(\$400,000)</b>
Reduces funding for the Byrd Scholarship Program due to reduced federal funding as proposed by the Executive budget.	Federal	1,900,000	(400,000)
<b>15. Tuition Incentive Program (TIP)</b>	<b>Gross</b>	<b>\$5,250,000</b>	<b>\$4,000,000</b>
Concurs with the Executive-recommended increase of \$4.0 million in this program targeted at low-income, Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs. The enacted bill includes the additional funding.	Restricted	5,250,000	4,000,000
<b>16. MPSERS Contribution Subsidy</b>			
The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur. The enacted bill includes Senate-proposed language.			
<b>17. FY 2002-03 State University Operations</b>	<b>Gross</b>	<b>0</b>	<b>\$7,000,000</b>
Provides for supplemental funding for twelve state universities that did not receive floor-funding increases greater than \$600,000.	Restricted	0	7,000,000

### **Major Boilerplate Changes from FY 2002-03:**

#### **Sec. 304. General Degree Reimbursement Grant – DELETED**

The Executive proposed repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House substitute retained and revised subsections (1) and (2) and deleted the remaining subsections. The Senate retained current law, except for deletion of the set-aside language in subsections (3) through (5). The enacted budget does not include this section.

#### **Sec. 305. Allied Health Degree Reimbursement Grant – DELETED**

Deletes language related to the allied health degree reimbursement grant program. The Executive proposed repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House version concurred in the deletion of this section. The Senate revised the current section to identify the equally prorated amount of the reimbursement grant.

#### **Sec. 315. Dental Clinics Grant – NEW**

Adds language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item are intended to support dental clinical services (as the current appropriation does), as proposed by the Executive and concurred in by the House and Senate.

#### **Sec. 433. Project GREEN – REVISED**

Reduces funding for Project GREEN by 6.74%, as proposed in the Executive, House, and Senate recommendations.

**Major Boilerplate Changes from FY 2002-03:**

***Sec. 436. Tuition Restraint – REVISED***

Current law specifies a maximum resident undergraduate tuition and fee increase for FY 2002-03 of the greater of \$425 or 8.5%. The Executive, House, and Senate include “reasonable” tuition increases without stating a limit either in dollar increase or in percent increase.

***Sec. 437. MPSERS Contribution Rate – NEW***

Includes House intent language related to use of a MPSERS stabilization subaccount to maintain the FY 2003-04 contribution rate at the FY 2002-03 level of 12.99%, but incorporates Senate changes to eliminate reference to the contribution rate.

***Sec. 439. Dormitory Smoking Policy Report – NEW***

Adds language regarding a proposed December 2003 report by the state universities concerning smoking policy in dormitories and residence halls, as proposed by the House and Senate.

***Sec. 1201. FY 2002-03 Supplemental – NEW***

Adds \$7.0 million in a one-time supplemental for thirteen of the fifteen state universities: \$2.75 million is distributed proportionately on the basis of FY 2002-03 funding as recommended by the Conference Committee, \$2.75 million is distributed on an equal-dollar basis for eleven universities, and CMU is allocated \$1.5 million.

***Sec. 1301. Switch in Fund Source for December 2002 FY 2002-03 Supplemental – NEW***

Adopts the Senate version that adds text to switch the fund source for the December 2002 FY 2002-03 supplemental from the Merit Award Trust Fund to the Tobacco Settlement Trust Fund.

***Sec. 1302. Intent Language Concerning Financial Aid Notice – NEW***

Modifies Senate-added intent language regarding notification of competitive scholarship and tuition grant award recipients by July 1, 2003, by revising the notification date to July 31, 2003.

**Summary: Enacted Appropriations**  
**SCHOOL AID**  
**FY 2003-04 House Bill 4401**  
**Public Act 158 of 2003**

**Analyst: Mary Ann Cleary**  
**Laurie Cummings**

	2002 PA 521 YTD (as of 3/6/03)	Executive	House	Senate	Enacted	Difference: 2003 PA 528 from 2002 PA 521	
						Amount	%
IDG/IDT	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Federal	1,219,825,200	1,244,363,100	1,242,733,900	1,315,612,300	1,316,681,900	96,856,700	7.9
Local	0	0	0	0	0	0	0.0
Private	0	0	0	0	0	0	0.0
Restricted	11,278,667,500	11,223,600,000	11,063,658,400	10,955,778,600	11,005,337,100	(273,330,400)	(2.4)
GF/GP	198,413,500	0	206,870,100	306,800,000	282,050,000	83,636,500	42.2
Gross	\$12,696,906,200	\$12,467,963,100	\$12,513,262,400	\$12,578,190,800	\$12,604,069,000	(\$92,837,200)	(0.7)
FTEs	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*Note: Public Act 521 of 2002 YTD figures do not include the results of any supplementals, contingency transfers, or Executive Order actions that occurred after March 6, 2003. Public Act 528 of 2003 GF/GP number includes \$22.0 million which was then transferred to the School Aid Stabilization Fund.*

## Overview

The School Aid budget makes appropriations to the state's 554 local school districts, 184 public school academies, and 57 intermediate school districts for operations and certain categorical programs. It also appropriates funds to the Center for Education Performance, Department of Career Development, and other entities to implement certain grants and other programs related to K-12 education. Public Act 158 of 2003 is the second act to make FY 2003-04 appropriations, with Public Act 521 of 2003, which continued FY 2002-03 appropriations into FY 2003-04, being the first. However, unlike other bills in recent years which created multi-year School Aid budgets, this bill budgets for only one future fiscal year.

## Major Budget Changes from 2002 PA 521 YTD Appropriations:

		2002 PA 521 YTD FY 2003-04	2003 PA 158 FY 2003-04
<b>1. Durant Debt Service</b>	<b>Gross</b>	<b>\$40,000,000</b>	<b>(\$39,859,000)</b>
Reduces appropriations by \$39.9 million to reflect refinancing of bonds issued as part of the Durant ruling.	GF/GP	\$40,000,000	(\$39,859,000)
<b>2. School Bond Redemption Fund</b>	<b>Gross</b>	<b>\$0</b>	<b>\$28,300,000</b>
Adds funding to pay for the debt service on the School Bond Loan Fund to be funded from the refinancing of the school bond loans.	GF/GP	\$0	\$28,300,000
<b>3. Proposal A Obligation Payment</b>	<b>Gross</b>	<b>\$6,953,000,000</b>	<b>(\$137,000,000)</b>
Reduces appropriation by \$137.0 million from current law to reflect changes in pupil counts, taxable values, and anticipated savings due to personal property tax audits.	Restricted	6,953,000,000	(137,000,000)

<b>Major Budget Changes from 2002 PA 521 YTD Appropriations:</b>		<b>2002 PA 521 YTD FY 2003-04</b>	<b>2003 PA 158 FY 2003-04</b>
<b>4. Discretionary Payment</b>	<b>Gross</b>	<b>\$2,880,000,000</b>	<b>\$16,000,000</b>
Increases the appropriation by \$1.0 million from current law to reflect changes in pupil counts and taxable values, elimination of \$15.0 million to Detroit, and \$2.5 million for declining enrollment districts in the Upper Peninsula. The Executive vetoed the elimination of the Detroit grant, resulting in retention of the \$15.0 million appropriation to Detroit contained in current law.	Restricted	2,880,000,000	16,000,000
<b>5. Early Childhood Grants</b>	<b>Gross</b>	<b>\$2,000,000</b>	<b>(\$1,750,000)</b>
Reduces appropriation by \$1.75 million to \$250,000.	Restricted	2,000,000	(1,750,000)
<b>6. ISD 0-5 Parenting Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,326,000</b>
Appropriates \$3.3 million for this new program to help parents of children aged five and under ready their children to enter school.	Restricted	N/A	3,326,000
<b>7. Bilingual Education</b>	<b>Gross</b>	<b>\$4,212,000</b>	<b>(\$179,900)</b>
Reduces state funds by \$1.4 million and adds new federal funds of \$1.2 million.	Federal	0	1,232,100
	Restricted	4,212,000	(1,412,000)
<b>8. Advanced &amp; Accelerated (Gifted &amp; Talented) Programs</b>	<b>Gross</b>	<b>\$5,000,000</b>	<b>(\$4,750,000)</b>
Reduces funding to \$250,000 and changes the name to Advanced and Accelerated programs.	Restricted	5,000,000	(4,750,000)
<b>9. Vocational Education</b>	<b>Gross</b>	<b>\$31,027,600</b>	<b>(\$1,027,600)</b>
Reduces the appropriation for vocational education by \$1.03 million from current law.	Restricted	31,027,600	(1,027,600)
<b>10. Career Preparation System</b>	<b>Gross</b>	<b>\$22,200,000</b>	<b>(\$21,200,000)</b>
Reduces funding from \$22.2 million to \$1.0 million.	GF/GP	\$22,200,000	(\$21,200,000)
<b>11. Center for Education Performance and Information</b>	<b>Gross</b>	<b>\$6,857,600</b>	<b>\$0</b>
Reduces the state appropriation for the Center for Education Performance and Information (CEPI) to \$1.9 million, of which \$1.5 million must be used for a contract with Standard and Poors. The Executive vetoed this section of the bill, thus retaining the original appropriation.	Federal	2,357,600	0
	GF/GP	\$4,500,000	\$0
<b>12. Michigan Virtual University</b>	<b>Gross</b>	<b>\$11,584,700</b>	<b>(\$8,584,700)</b>
Appropriates \$750,000 in state funds and \$2.25 million in federal funds, with \$1.25 million earmarked for professional development activities. Transfers the Learning Without Limits grants to a new section 98b.	Federal	6,584,700	(4,334,700)
	GF/GP	\$5,000,000	(\$4,250,000)
<b>13. Freedom to Learn (Learning Without Limits) Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>39,343,200</b>
Increases the state appropriation to purchase wireless technology for 6 <sup>th</sup> grade pupils to \$22.0 million from the \$3.5 million formerly appropriated in Sec. 98 and adds \$17.3 million in federal funds. (Formerly named "Learning Without Limits" grants.)	Federal	N/A	17,343,200
	Restricted	N/A	22,000,000
<b>14. Math and Science Centers</b>	<b>Gross</b>	<b>\$10,232,300</b>	<b>(\$5,244,600)</b>
Reduces state funding by \$7.7 million and increases federal funds by \$2.5 million.	Federal	0	2,487,700
	Restricted	9,684,300	(7,184,300)
	GF/GP	\$548,000	(\$548,000)
<b>15. Adult Education</b>	<b>Gross</b>	<b>\$77,500,000</b>	<b>(\$57,500,000)</b>
Reduces the Adult Education program by \$57.5 million and retains the per-participant amount at \$2,850.	Restricted	77,500,000	(57,500,000)
<b>16. Partnership for Adult Learning</b>	<b>Gross</b>	<b>\$20,000,000</b>	<b>(\$19,000,000)</b>
Reduces the Partnership for Adult Learning program by \$19.0 million to \$1.0 million.	GF/GP	\$20,000,000	(\$19,000,000)

**Major Boilerplate Changes from 2002 PA 521:*****Sec. 6(4). Membership Blend – RETAINED***

Retains the membership blend upon which foundation allowance payments are calculated at an “80/20” blend, which is a sum of 80% of the current fall pupil count plus 20% of the previous February’s count.

***Sec. 11(1). New Revenue Sources***

Assumes \$100.0 million in new revenue from the refinancing of the School Bond Loan Fund debt, \$50.0 million in new money from two new lottery games, and \$4.3 million from the closing of tax loopholes.

***Sec. 11(3). Proration Language – MODIFIED***

Changes the method used to prorate payments when revenues are expected to fall short of appropriations from the current equal percentage reduction to an equal per-pupil reduction.

***Sec. 11a. School Aid Stabilization Fund – NEW***

Establishes the School Aid Stabilization Fund and sets up an automatic transfer to the School Aid Fund if School Aid expenditures exceed revenues.

***Sec. 11b. General Fund Transfers to School Aid Stabilization Fund – NEW***

Transfers \$22.0 million from the General Fund to the School Aid Stabilization Fund for the Freedom to Learn Program under Sec. 98b and requires a transfer of \$73.1 million from the General Fund to the School Aid Stabilization Fund if the balance in the General Fund at the end of FY 2002-03 is at least \$350 million.

***Sec. 20(1). Basic Foundation Allowance – MAINTAINED***

Retains per-pupil foundation allowances at the same level as FY 2002-03.

***Sec. 20(10). School District Consolidation – MODIFIED***

Replaces current-law language that gives consolidating districts a new foundation allowance equal to the highest foundation allowance among the consolidating districts plus \$50, with new language that would give consolidating districts a pupil-weighted average foundation allowance.

***Sec. 20(20). Reform Board Allocation – VETOED***

Eliminates an allocation of \$15.0 million to the Detroit school district in FY 2003-04 as long as the district is operated under a reform board. Section had been deleted and was restored through veto.

***Sec. 101. Days and Hours – MODIFIED***

Revises the number of “snow days” to 30 hours from two days, eliminates the 180 days of instruction time requirement, and maintains the required hours of instruction at 1,098.

***Sec. 147. MPSERS Contribution Subsidy – MODIFIED***

Proposes to reduce the estimated percentage of payroll that districts must allocate for public school employee retirement from 14.37% to 12.99%, contingent upon districts refinancing their School Bond Loan Fund debt.